FIRST NATURAL FOODS HOLDINGS LIMITED

(Provisional Liquidators Appointed)

第一天然食品有限公司*

（已委任臨時清盤人）

(Incorporated in Bermuda with limited liability)

(Stock Code: 01076)

Annual Report 2011

* *for identification purpose only*

Contents

Corporate Information

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

LIU Yiu Keung, Stephen
(appointed by the High Court of the HKSAR on 6 January 2009)
YEN Ching Wai, David
(appointed by the High Court of the HKSAR on 6 January 2009)

BOARD OF DIRECTORS

Executive Director

LEE Wa Lun, Warren

Independent Non-executive Directors

LEUNG King Yue, Alex
LO Wai On (resigned with effect from 31 January 2011)
TANG Chi Chung, Matthew
WONG Chi Keung (Chairman)

PRINCIPAL REGISTRAR

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

LEGAL ADVISORS

as to Hong Kong law
P. C. Woo & Co.

as to Bermuda law
Conyers Dill & Pearman

AUDITOR

ANDA CPA Limited

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

62/F, One Island East
18 Westlands Road
Island East
Hong Kong

PRINCIPAL BANKERS (BEFORE APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS)

CITIC Ka Wah Bank Limited (now known as CITIC Bank International Limited)
China Construction Bank (Asia) Limited
DBS Bank Ltd., Guangzhou Branch
Xiamen International Bank
Taishin International Bank Co., Limited Hong Kong Branch

WEBSITE

http://www.equitynet.com.hk/1076

STOCK CODE

01076

Report of the Directors

The board (the "Board") of directors (the "Directors") of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the "Company") herein presents its report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

FINANCIAL REVIEW

For the year ended 31 December 2011, the Group recorded a turnover and a gross profit of approximately RMB730,660,000 (2010: approximately RMB144,006,000) and approximately RMB20,442,000 (2010: approximately RMB7,725,000) respectively. Profit for the year attributable to owners of the Company was approximately RMB2,273,000 (2010: loss of approximately RMB4,277,000). The Group's total turnover represented an increase of 407.38% as compared to the year 2010, while the Group's gross profit surged by approximately 164.62%. The Group's profit from operations for the year ended 31 December 2011 was approximately RMB15,416,000 (equivalent to approximately HK$18,594,000) (2010: profit of approximately RMB6,180,000 (equivalent to approximately HK$6,961,000)).

The increase in turnover of the Group was largely due to increase in contribution from Orient Legend International Limited ("Orient Legend") which became a subsidiary of the Group in October 2010 as well as increase in turnover from sales of food products to North America, Hong Kong and other south-east asian countries from the food processing business of the Group. With the increase in demand of frozen food products from the People's Republic of China (the "PRC") customers, the sales volume of Orient Legend increased substantially in 2011 with turnover, on a full year comparison basis, by almost 3 times to approximately RMB639 million in 2011.

With the increase in turnover of the Group, the gross profit of the Group increased substantially from approximately RMB7,725,000 in 2010 to approximately RMB20,442,000 in 2011. Moreover, in February 2011, the Sincere Gold Agreement (as defined under section "Business Review") was completed as announced by the Company on 21 February 2011. Thereafter, the Group began to optimise the capacity of the food processing facilities leased under the Sincere Gold Agreement by providing food processing services to customers and deriving processing fee income of approximately RMB5,500,000 in the year 2011 which forms another value-added service and profit stream of the Group.

BUSINESS REVIEW

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in the processing and trading of food products mainly including frozen and functional food products.

During 2011 financial year, the Company strived to integrate the different aspects of business operations to improve its overall operations despite the volatility of the global economic environment, the European debt crises and the economic downturn in the US in 2011. In particular, the Thailand flood in 2011 led to unstable supplies of raw materials as well as an increase in costs of the Group's sourcing.

Since October 2010, when the acquisition of Orient Legend completed, Orient Legend has contributed significantly to the sales of the Group. Despite relatively low profit margin, the Company believes that trading business of Orient Legend has enabled the Group to re-establish a trading platform to extend the Group's geographical coverage and enlarge the scale of the Group's operations. In order to intensify and strengthen the value-added services of the Group through the Jiangmen processing plant by taking advantage of the established trading volume already achieved by the Group, in October 2010, Pacific Prosper Limited ("Pacific Prosper"), a wholly-owned subsidiary of the Company, entered into a processing agreement with two independent third parties which have production and processing facilities in Jiangmen, Guangdong Province, the PRC (the "Sincere Gold Agreement") which was completed in February 2011. With the in-house processing capabilities under the arrangement of the Sincere Gold Agreement, more products covered by the trading orders received by the Group have been processed by the Jiangmen processing plant. In addition, the Group also started to provide food processing services for customers and deriving processing income during the 2011 financial year.

In addition, to further expand the Group's business, the Group had already begun the distribution of frozen foods products in Beijing area, as a first step, in the second half of 2011 as we recognised a strong demand for frozen food products in the PRC.

As announced on 10 June 2011, the Group intended to acquire a seafood trading business, namely Sprintech Development Limited to intensify the seafood trading business, expanding its scale and maximizing the use of cold storage and food processing capabilities obtained through the Sincere Gold Agreement ("Acquisition of Sprintech"). As the conditions set out in the agreement for the Acquisition of Sprintech (the "Agreement") have not been satisfied on or before the date falling on the sixth calendar month from the date of the Agreement, the Agreement has been terminated pursuant to the terms of the Agreement. Such termination has no material adverse effect on the Group's business operations and its financial position.

LIQUIDITY AND FINANCIAL RESOURCES

The net cash outflow from operating activities for the year was approximately RMB20,413,000 as compared to a net cash outflow of approximately RMB19,389,000 in the previous year. Cash and cash equivalents as at 31 December 2011 amounted to approximately RMB29,586,000 (2010: approximately RMB13,485,000). The Group's gearing ratio measured on the basis of the Group's bank and other borrowings divided by total equity as at 31 December 2011 was not applicable as the Group had net deficiency in total equity (2010: not applicable).

Liabilities and payables presented in the consolidated financial statements and this report are prepared according to the books and records and available information to the best of our knowledge.

RISK OF FOREIGN EXCHANGE FLUCTUATION

The Group's bank and other borrowings, bank and cash balances, and accruals, other payables and deposits received were mainly denominated in Hong Kong dollars, US dollars and Renminbi. As such, it will be subject to reasonable exchange rate exposures. However, the Group will closely monitor this risk exposure and would take prudent measures as appropriate. The Group's bank borrowings bear interest at floating rates.

In April 2007, the Company entered into an interest rate swap contract with a notional amount of US$100,000,000 with a commercial bank. On 3 November 2008, the commercial bank served the Company with a notice of early termination and made a claim against the Company. As at 31 December 2011, the said claim had a carrying amount of US$15,979,544 (equivalent to approximately RMB101,648,000). Details are set out in note 28 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

Other than the Directors, the Group employed 14 staff in Hong Kong and 3 staff in the PRC as at 31 December 2011. Details of the remuneration have been disclosed in notes 12 and 15 to the consolidated financial statements.

Remuneration package is reviewed annually by the Board and determined by reference to market scale and individual performance. In addition to salary payments, the Group also provides other employment benefits such as a provident fund.

SIGNIFICANT INVESTMENTS AND ACQUISITION

A wholly-owned subsidiary of the Company entered into the Agreement in June 2011 with an independent third party to acquire an investment holding company which owns a subsidiary principally engaged in the trading of frozen seafood. As the conditions set out in the Agreement have not been satisfied on or before the date falling on the sixth calendar month from the date of the Agreement, the Agreement has been terminated pursuant to the terms of the Agreement. Details of the proposed acquisition are set out in the section headed "Business Review" above.

RESTRUCTURING OF THE GROUP

Trading in the shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 9:30 a.m. on 15 December 2008 at the request of the Company. Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai were appointed as the joint and several provisional liquidators (the "Provisional Liquidators") by the High Court of the Hong Kong Special Administrative Region (the "Hong Kong Court") on 6 January 2009.

The Provisional Liquidators have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets and to assess the situation of the subsidiaries in the PRC. However, without the assistance of the former executive Directors, Mr. Yeung Chung Lung ("Mr. Yeung") and Mr. Yang Le ("Mr. Yang"), who were the legal representatives of the subsidiaries in the PRC, the Provisional Liquidators would not be able to proceed the same. As such, legal actions have been taken against Mr. Yeung and Mr. Yang, in respective regions in the PRC for the possible damages to the Group resulting from their illegal possessions of the properties of the subsidiaries in the PRC, including but not limited to, the company chops and statutory certificates of the subsidiaries in the PRC. As the Provisional Liquidators have encountered difficulties in recovering the assets in the PRC, without funding from creditors or other third parties, the Provisional Liquidators are unable to pursue the existing actions any further.

On 6 October 2010, Asian Capital (Corporate Finance) Limited ("Asian Capital"), the financial advisor to the Company, and the Provisional Liquidators submitted a resumption proposal to the Stock Exchange (the "Resumption Proposal").

On 30 September 2011, the Listing Appeals Committee of the Stock Exchange (the "Listing Appeals Committee") decided to accept the Resumption Proposal set out in the Company's submission (the "Resumption Submission"), subject to the Company's compliance with the following conditions (the "Resumption Conditions") to the satisfaction of the Listing Division of the Stock Exchange (the "Listing Division") as extracted and disclosed below:

1) the Company's operating profit for the year ending 2011 should not be less than HK$18 million;

RESTRUCTURING OF THE GROUP (CONTINUED)

2) obtaining approval from the Company's shareholders and the relevant courts (where applicable) for conditions 3 to 6;

3) completion of the arrangement for the capital reorganisation (the "Capital Restructuring"), which comprises the capital reduction, capital cancellation, share consolidation and the increase in authorised share capital as set out in the Resumption Submission;

4) completion of an open offer (the "Open Offer") on the basis of 7 offer shares (the "Offer Shares") for every one new share of the Company after the capital reorganization at HK$0.5622 each to be fully underwritten by Group Will Holdings Limited (the "Investor") as set out in the Resumption Submission;

5) obtaining the requisite creditors' approval for the debt restructuring/schemes of arrangement (with the relevant sanction from courts thereafter), under which a cash payment of HK$62 million out of the proceeds from the share subscription by the Investor will be paid to the Company's creditors and the Company will issue 14,823,936 new shares after the capital reorganization to the creditors of the Company or the scheme administrators for the benefit of the Company's creditors who agree to enter into the schemes of arrangement;

6) obtaining approval from the Executive of the Securities and Futures Commission (the "SFC") for both the whitewash waiver and the special deal as set out in the Resumption Submission;

7) production of a written confirmation to the Listing Division by an independent auditor confirming the following:

   a. completion of the share subscription of 266,830,850 new shares of the Company (the "Subscription Shares") after the capital reorganization by the Investor at the subscription price of HK$0.5622 each at a total consideration of HK$150 million (the "Share Subscription"); and

   b. the net proceeds from the Share Subscription by the Investor are held by a bank in Hong Kong in the name of the Company;

8) full payment of all and any outstanding listing fees by the Company;

9) cancellation of the debenture over the assets of Supreme Wit Limited ("Supreme Wit"), a direct wholly-owned subsidiary of the Company;

RESTRUCTURING OF THE GROUP (CONTINUED)

10) confirmation from the Provisional Liquidators, with supporting information, as to the working capital sufficiency of the Company up to and at least twelve months after the date of resumption;

11) if resumption of trading does not take place before 1 April 2012, the Company to have published its audited accounts for the year ending 31 December 2011; and

12) the Investor to place down its shares to restore public float (as necessary) within one month of resumption of trading.

Save for conditions 11 and 12, all of the Resumption Conditions must be complied with to the satisfaction of the Listing Division within six months from the date of the decision letter. The deadline may be extended by the Listing Division on good cause being shown by the Company. The Company, the Provisional Liquidators and the Investor are now taking appropriate steps to fulfil the Resumption Conditions.

On 5 January 2012, the Company, the Provisional Liquidators, the Investor and Mr. Huang Kunyan ("Mr. Huang") as the guarantor (the "Guarantor") entered into an agreement to implement the proposed restructuring set out in the Resumption Submission.

According to the Resumption Submission, it is proposed that a scheme of arrangement for the Company under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) and the Companies Act 1981 of Bermuda (as amended from time to time) to be made between the Company and its creditors (the "Scheme"). On 20 March 2012, both Hong Kong Court and Supreme Court of Bermuda (the "Bermuda Court") granted orders to convene the creditors' meeting to approve the Scheme. The meeting of the Scheme will be convened on 26 April 2012.

As it was expected that the Company would not be able to fully satisfy the Resumption Conditions within the deadline imposed by the Listing Appeals Committee on 28 March 2012, the Company made an application to the Listing Division to seek additional time for the Company to fully satisfy the Resumption Conditions.

The Provisional Liquidators have provided regular updates on the status of the Group to the Hong Kong Court and suggested for the adjournment of granting the winding-up order against the Company. On 13 January 2012, the hearing of the winding-up petition has been further adjourned to 16 July 2012.

PROSPECTS

The world economy continues to remain uncertain and the 2012 ahead is expected to be full of risk and challenge. However, the Group remains cautiously optimistic on our core business of processing and trading of foods products, especially by utilising the capacities of the food processing facilities leased under the Sincere Gold Agreement. The Group will continue to explore new customers in the PRC and diversify our products with a view to increase our sales through retail and wholesale channels. The Group will continue to prudently implement the above strategies for the benefit of the Group and all its stakeholders.

As set out in the section headed "Restructuring of the Group" above, on 30 September 2011, the Company received the in-principle approval from the Stock Exchange for the resumption of the trading in the Shares. The Company believes that with additional funds to be injected after completion of the proposed restructuring, the Group will be in a better position to capture more market opportunities in the future.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2011 is set out in the consolidated financial statements on page 25 of this report and the states of affairs of the Group and of the Company as at that date are set out in the consolidated financial statements on pages 26 and 71 of this report, respectively.

No interim dividend was paid (2010: Nil) and a payment of the final dividend is not proposed for the year ended 31 December 2011 (2010: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 72 of this report. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 20 to the consolidated financial statements.

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in notes 29 and 31 to the consolidated financial statements.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 35 to the consolidated financial statements.

COMMITMENTS

Details of the commitments of the Group are set out in note 34 to the consolidated financial statements.

CHARGES ON GROUP ASSETS

As disclosed under the heading "Restructuring of the Group" above and in notes 28 and 36 to the consolidated financial statements, the Investor and Supreme Wit entered into the working capital facility agreement on 12 April 2010 pursuant to which the Investor had agreed to provide the working capital facility to Supreme Wit. The working capital facility had been secured by a debenture of Supreme Wit on 12 April 2010 with a floating charge on all the assets issued by Supreme Wit executed in favour of the Investor. On 18 February 2011, the supplemental deeds were entered into, pursuant to which the Investor agreed to increase the said facility to the principal amount of up to HK$70 million.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 31 to the consolidated financial statements.

RESERVES

As at 31 December 2011, the Company did not have any reserves available for distribution. Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's 5 largest customers accounted for approximately 71.65% of the total sales for the year and sales to the largest customer included therein amounted to approximately 32.21%. Purchases from the Group's 5 largest suppliers accounted for approximately 37.87% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 15.51%.

None of the Directors or any of their associates or shareholders (which, to the best knowledge of the Board, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's 5 largest customers and 5 largest suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Director

Lee Wa Lun, Warren

Independent non-executive Directors

Wong Chi Keung	(Chairman)
Leung King Yue, Alex	
Lo Wai On	(resigned with effect from 31 January 2011)
Tang Chi Chung, Matthew	

DIRECTORS (CONTINUED)

Mr. Wong Chi Keung ("Mr. Wong") has entered into a service contract with the Company for a term of three years commencing from 1 December 2007 until terminated by either party giving not less than one month's notice in writing.

Each of the remaining existing Board members has not entered into any service contract with the Company and has not been appointed for a specific term. Except for Mr. Wong, each of the Directors will hold office until the next general meeting of the Company and being eligible, will offer himself for re-election at that meeting pursuant to the Bye-laws of the Company. Their emoluments will be determined based on the prevailing market conditions and their roles and responsibilities.

Save as disclosed above, no Director eligible for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 20 and 21.

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SECURITIES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, saved as disclosed below and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company, none of the Directors had registered any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES

As at 31 December 2011, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares:

Name of shareholder	Notes	**Capacity**	**Number of ordinary shares held**	**Approximate percentage of issued share capital**
Regal Splendid Limited (Provisional Liquidators Appointed)	(a)	Beneficial owner	416,665,000	35.13%
Dunross Investment Ltd.	(b)	Beneficial owner	83,370,000	7.03%
Dunross International AB	(c)	Interest of controlled corporation	83,370,000	7.03%
Dunross & Co AB	(c)	Interest of controlled corporation	83,370,000	7.03%
Crosby Active Opportunities Master Fund Limited	(d)	Beneficial owner	79,370,000	6.69%
Crosby Active Opportunities Feeder Fund Limited	(e)	Interest of controlled corporation	79,370,000	6.69%
Crosby Asset Management (Singapore) Limited	(f)	Interest of controlled corporation	79,370,000	6.69%
Crosby Asset Management Limited	(g)	Interest of controlled corporation	79,370,000	6.69%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES (CONTINUED)

Long positions in the Shares: (Continued)

Name of shareholder	Notes	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital
Crosby Asset Management (Holdings) Limited	(h)	Interest of controlled corporation	79,370,000	6.69%
Crosby Asset Management Inc.	(i)	Interest of controlled corporation	79,370,000	6.69%
The SFP Asia Fund L.P.	(j)	Interest of controlled corporation	48,945,000	5.29%
The SFP Asia Master Fund Limited	(k)	Interest of controlled corporation	48,945,000	5.29%

Notes:

(a) Regal Splendid Limited (Provisional Liquidators Appointed) ("Regal Splendid") is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 100% by Mr. Yeung, a former executive Director. Sun Hung Kai Structured Finance Limited had obtained a charging order on 20 January 2010 against Regal Splendid, which pledged the Shares of the Company and defaulted the loan. At the hearing of the petition for the winding up of Regal Splendid on 16 March 2012, The Hon. Mr. Justice Harris ordered that, amongst others, Mr. Kong Chi How, Johnson and Mr. Yeo Boon Ann, Kenneth both of BDO Financial Services Limited be appointed jointly and severally as provisional liquidators (the "RS Provisional Liquidators") of Regal Splendid and the powers of the RS Provisional Liquidators shall include all powers conferred upon provisional liquidators under section 199 of the Hong Kong Companies Ordinance and to do everything necessary to preserve the value of the assets of Regal Splendid including but not limited to the charged shares and to exercise the rights of Regal Splendid in the charged shares in the best interests of the creditors of Regal Splendid including but not limited to the voting rights for and on behalf of Regal Splendid in all the shareholders' meeting of the Company. Furthermore, the RS Provisional Liquidators are also empowered by the Hong Kong Court to enter into negotiation with any person or company for the purpose of realizing the property of Regal Splendid, subject to sanction by the Hong Kong Court. We understand that Regal Splendid was not represented at the hearing on 16 March 2012 and it did not resist the application for the appointment of the RS Provisional Liquidators.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES (CONTINUED)

Notes: (Continued)

(b) Dunross Investment Ltd. is a company incorporated in Cyprus which is wholly-owned by Dunross International AB.

(c) Dunross International AB is a company incorporated in Sweden which is wholly-owned by Dunross & Co AB.

(d) Crosby Active Opportunities Master Fund Limited is a company incorporated in the Cayman Islands which is wholly-owned by Crosby Active Opportunities Feeder Fund Limited.

(e) Crosby Active Opportunities Feeder Fund Limited is a company incorporated in the Cayman Islands.

(f) Crosby Asset Management (Singapore) Limited is a company incorporated in Singapore which is wholly-owned by Crosby Asset Management Limited.

(g) Crosby Asset Management Limited is a company incorporated in the Cayman Islands which is wholly-owned by Crosby Asset Management (Holdings) Limited.

(h) Crosby Asset Management (Holdings) Limited is a company incorporated in the Cayman Islands which is wholly-owned by Crosby Asset Management Inc.

(i) Crosby Asset Management Inc. is a company incorporated in the Cayman Islands.

(j) The SFP Asia Fund L.P. is a company incorporated in the Cayman Islands.

(k) The SFP Asia Master Fund Limited is a company incorporated in the Cayman Islands which is wholly-owned by The SFP Asia Fund L.P..

Save as disclosed above, as at 31 December 2011, no person, other than the Directors, whose interests are set out in the section "Directors' and the Chief Executive's Interests or Short Positions in Securities, Underlying Shares and Debentures" above, had registered an interest or short position in the securities or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the headings "Share Option Scheme" below and "Directors' and the Chief Executive's Interests or Short Positions in Securities, Underlying Shares and Debentures" above, to the best knowledge of the Board, at no time during the year there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED PARTY TRANSACTIONS

To the best knowledge of the Board, none of the Directors has a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, to the best knowledge of the Board, none of the Directors, the Company's shareholders (the "Shareholders") and their respective associates had any interest in a business which causes or may cause a significant competition with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 37 to the consolidated financial statements.

MANAGEMENT CONTRACTS

According to the available information, the Board is not aware of any contract during the year entered into with the management and administration of the whole or any substantial part of the business of the Company.

SHARE OPTION SCHEME

On 4 June 2004, a share option scheme (the "Share Option Scheme") has been adopted by the Company, the principal terms of which were set out in the Company's Annual Report 2009.

During the year under review, no options were granted, cancelled or lapsed. As at 31 December 2011, no option under the Share Option Scheme remained outstanding.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes are set out in note 19 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year under review.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 21 July 2006, the Company had entered into a loan agreement (the "Loan Agreement") with a syndicate of banks for a 3-year term loan facility of up to HK$195,000,000. Under the Loan Agreement, it would be an event of default if (i) Mr. Yeung, a former executive Director, and his family members cease to be the beneficial owner of at least 35% of the entire issued share capital and ownership interest of the Company; or (ii) Mr. Yeung ceases to be the chairman of the Company and to be the single largest shareholder of the Company or no longer actively involved in the management and business of the Group (being the Company, the guarantors and their respective subsidiaries); or (iii) the Company fails at any time to beneficially own (directly or indirectly) the entire issued share capital of any of the guarantors.

On 19 December 2008, the agent of the syndicate of banks gave notice to the Company that certain events of default have occurred and demanded immediate repayment of all outstanding monies owed by the Company.

As at 31 December 2011, the outstanding amount owed by the Company in respect of this loan facility was approximately HK$98,606,000 (equivalent to approximately RMB80,624,000) (2010: approximately HK$93,534,000 (equivalent to approximately RMB79,452,000)).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has complied with the sufficiency of public float requirement under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUSPENSION OF TRADING

Trading in the Shares on the Main Board of the Stock Exchange has been suspended since 15 December 2008, and will remain suspended until further notice.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 38 to the consolidated financial statements.

CODE ON CORPORATE GOVERNANCE PRACTICES

As at 31 December 2011, there were four Directors, of which one was executive Director, namely Mr. Lee Wa Lun, Warren and three were independent non-executive Directors, namely Mr. Wong, Mr. Leung King Yue, Alex and Mr. Tang Chi Chung, Matthew. Mr. Wong was also the chairman of the Company. Mr. Lo Wai On resigned as independent non-executive Director with effect from 31 January 2011.

Remuneration Committee

The members of the remuneration committee of the Company during the year and up to the date of this report were:

WONG Chi Keung	(Chairman)
LEUNG King Yue, Alex	
LO Wai On	(resigned with effect from 31 January 2011)
TANG Chi Chung, Matthew	

The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management, as well as reviewing and determining the remuneration of all executive Directors and senior management with reference to the Company's objectives from time to time.

Audit Committee

The members of the audit committee of the Company during the year and up to the date of this report were:

WONG Chi Keung	(Chairman)
LEUNG King Yue, Alex	
LO Wai On	(resigned with effect from 31 January 2011)
TANG Chi Chung, Matthew	

CODE ON CORPORATE GOVERNANCE PRACTICES (CONTINUED)

The audit committee is responsible for reviewing the accounting principles and practices adopted by the Group and discussing auditing, internal control and financial reporting matters with the management. The audited consolidated financial statements of the Company for the year ended 31 December 2011 have been reviewed by the audit committee of the Company.

On 6 January 2009, the Provisional Liquidators were appointed by the Hong Kong Court to, among others, take control and possession of the assets of the Group, accordingly, the current Board is unable to comment as to whether the Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2011.

After the Stock Exchange approves the resumption of trading in the Shares and the Provisional Liquidators are discharged, appropriate personnel will be appointed to the Board and arrangement will be made to comply with the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors, they have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2011.

AUDITOR

The consolidated financial statements for the years ended 31 December 2006 and 2007 were audited by CCIF CPA Limited.

The consolidated financial statements for the years ended 31 December 2008, 2009, 2010 and 2011 were audited by ANDA CPA Limited. A resolution for their re-appointment of ANDA CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
First Natural Foods Holdings Limited
(Provisional Liquidators Appointed)

Wong Chi Keung
Chairman

Hong Kong, 30 March 2012

Biographical Details of the Directors

EXECUTIVE DIRECTOR

Mr. Lee Wa Lun, Warren, ("Mr. Lee") aged 48, joined the Group in December 2008 as an executive Director. He is the Chairman of SHK Hong Kong Industries Limited (formerly known as Yu Ming Investments Limited), which is listed on the Main Board of the Stock Exchange, and a director and a responsible officer of Yu Ming Investment Management Limited, which is a licensed corporation regulated by the SFO to carry out activities of dealing in securities, advising on securities, advising on corporate finance and asset management. From December 2006 to May 2007, he was the chief executive officer of Nam Tai Electronics, Inc., an electronics manufacturing services provider listed on the New York Stock Exchange. From March 2004 to February 2006, Mr. Lee was an independent non-executive director of Nam Tai Electronic & Electrical Products Limited ("NTEEP"), and from February 2006 to April 2007, he was re-designated as a non-executive director. From January 2007 to April 2007, he was also a non-executive director of J.I.C. Technology Company Limited ("JIC"). Both of NTEEP and JIC were listed on the Main Board of the Stock Exchange. Mr. Lee is also a non-executive chairman of Rotol Singapore Limited since November 2007. Rotol Singapore Limited was listed on the Main Board of the Singapore Exchange Limited until August 2011.

Mr. Lee graduated from University of East Anglia in England in 1986 and obtained a distinction in Master of Science degree from The City University Business School in London in 1988.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung ("Mr. Wong"), aged 57, joined the Group in November 2007. He is the chairman of the Company and an independent non-executive Director. He obtained a master degree in business administration from the University of Adelaide in Australia in 1986. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Chartered Association of Certified Accountants and CPA (Australia), an associate member of the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants. He is a responsible officer for asset management, advising on securities and corporate finance for Greater China Capital Limited Inc. (formerly known as Sinox Fund Management Limited) under the SFO. He is currently an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of which are listed on the Stock Exchange. Mr. Wong was formerly an independent non-executive director of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed), Great Wall Motor Company Limited and International Entertainment Corporation.

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Leung King Yue, Alex ("Mr. Leung"), aged 34, joined the Group in December 2008. He holds a bachelor degree in Commerce specialising in Economics and Finance from the University of Melbourne in Australia and is a Chartered Financial Analyst of the United States of America. He started his career in investment banking in 2000 focusing on private equity projects, corporate finance advisory, merger and acquisition transactions and listed equities. Mr. Leung then joined JK Capital Management Limited in 2003 as a portfolio manager specialising in investments in global high yield fixed income securities and listed Chinese equities. He is licensed by the SFO to carry out securities advisory, corporate finance advisory and asset management activities. He is currently a responsible officer of both JK Capital Management Limited and Asian Asset Management Limited. Mr. Leung was an executive director of Mastermind Capital Limited (formerly known as Apex Capital Limited) during the period from 9 March, 2007 to 12 May 2010, and was an executive director of UBA Investments Limited during the period from 17 July, 2007 to 1 December, 2008. Both of the companies are listed on the Main Board of the Stock Exchange. He was an executive director of Coolpoint Energy Limited (formerly known as GreaterChina Technology Group Limited) during the period from 14 July, 2008 to 23 June 2010, a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Tang Chi Chung, Matthew ("Mr. Tang"), aged 51, joined the Group in December 2008. He has 20 years of extensive experience in fresh produce marketing. He started his career in fresh produce business as a business development manager of Polly Peck International (Hong Kong) Limited, the then shareholder of Del Monte Fresh Produce (HK) Limited. Between 1992 and 2002, Mr. Tang worked for a number of fresh produce marketing companies, including the position of general manager of Fresh Produce Department of Dah Chong Hong, Limited, and business development director of Del Monte Fresh Produce (HK) Limited. Since 2002, He worked for Linkage Holdings Limited developing fresh fruits and vegetables business in the PRC and overseas.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company still considers all of the independent non-executive Directors to be independent.

Independent Auditor's Report

ANDA
CPA Limited
安達會計師事務所有限公司

TO THE SHAREHOLDERS OF
FIRST NATURAL FOODS HOLDINGS LIMITED (PROVISIONAL LIQUIDATORS APPOINTED)
(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (together, the "Group") set out on pages 25 to 71, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters as described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

   Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2010 (the "2010 Financial Statements"), which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 16 February 2011. Accordingly, we were then unable to form an opinion as to whether the 2010 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's results and cash flows for the year then ended.

BASIS FOR DISCLAIMER OF OPINION (CONTINUED)

2. Deconsolidation of the subsidiaries

   Certain subsidiaries of the Company were deconsolidated from the Group since 1 July 2008. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the subsidiaries since 1 July 2008 and throughout the years ended 31 December 2010 and 2011.

   Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the year ended 31 December 2011 and the Group's financial positions as at that date.

3. Accruals, other payables and deposits received

   No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the amount due to a former director of the Company of approximately RMB55,803,000 as at 31 December 2011 as included in the accruals, other payables and deposits received of approximately RMB261,365,000 in the consolidated statement of financial position.

4. Financial guarantee liabilities

   No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the financial guarantee liabilities of RMB13,500,000 as at 31 December 2011 in the consolidated statement of financial position.

5. Commitments and contingent liabilities

   No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2011.

6. Related party transactions

   No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the year ended 31 December 2011 as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

Any adjustments to the matters as described from points 1 to 6 above might have a significant consequential effect on the Group's results for the two years ended 31 December 2010 and 2011, the Group's cash flows for the two years ended 31 December 2010 and 2011 and the financial positions of the Group as at 31 December 2010 and 2011, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group was submitted to The Stock Exchange of Hong Kong Limited on 6 October 2010.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 30 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Turnover	7 & 9	**730,660**	144,006
Cost of sales		**(710,218)**	(136,281)
Gross profit		**20,442**	7,725
Other income	8	**8,012**	1,212
Selling expenses		**(1,747)**	(523)
Administrative expenses		**(11,291)**	(2,234)
Profit from operations		**15,416**	6,180
Restructuring costs	10	**(3,113)**	(3,725)
Finance costs	11	**(7,356)**	(5,613)
Profit/(loss) before tax	12	**4,947**	(3,158)
Income tax expense	13	**(2,674)**	(1,119)
Profit/(loss) for the year attributable to owners of the Company	16	**2,273**	(4,277)
Other comprehensive income for the year, net of tax:			
Exchange differences on translating foreign operations		**13,479**	13,529
Total comprehensive income for the year attributable to owners of the Company		**15,752**	9,252
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted (RMB cents per share)	18	**0.19**	(0.36)

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	20	**210**	40
Prepayments, deposits and other receivables	21	**24,018**	–
Goodwill	22	**4,986**	5,180
Deferred tax assets	23	**207**	224
		29,421	5,444
Current assets			
Inventories	24	**3,424**	3,944
Trade receivables	25	**39,072**	33,514
Prepayments, deposits and other receivables	21	**6,463**	6,581
Bank and cash balances	26	**29,586**	13,485
		78,545	57,524
Current liabilities			
Trade and bills payables	27	**13,745**	18,670
Accruals, other payables and deposits received	28	**261,365**	226,502
Bank and other borrowings	29	**176,278**	177,192
Financial guarantee liabilities	30	**13,500**	13,500
Current tax liabilities		**1,537**	1,315
		466,425	437,179
Net current liabilities		**(387,880)**	(379,655)
NET LIABILITIES		**(358,459)**	(374,211)
Capital and reserves			
Share capital	31	**61,387**	61,387
Reserves	32	**(419,846)**	(435,598)
TOTAL EQUITY		**(358,459)**	(374,211)

Approved by:

Stephen Liu Yiu Keung
David Yen Ching Wai
Joint and Several Provisional Liquidators
who act without personal liabilities

Wong Chi Keung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	61,387	300,028	41,421	32,688	(818,987)	(383,463)
Total comprehensive income for the year	–	–	–	13,529	(4,277)	9,252
At 31 December 2010	61,387	300,028	41,421	46,217	(823,264)	(374,211)
At 1 January 2011	**61,387**	**300,028**	**41,421**	**46,217**	**(823,264)**	**(374,211)**
Total comprehensive income for the year	**–**	**–**	**–**	**13,479**	**2,273**	**15,752**
At 31 December 2011	**61,387**	**300,028**	**41,421**	**59,696**	**(820,991)**	**(358,459)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Profit/(loss) before tax		**4,947**	(3,158)
Adjustments for:			
Depreciation	12 & 20	**71**	8
Finance costs	11 & 33	**7,356**	5,613
Interest income	8	**(32)**	(24)
Operating cash flows before working capital changes		**12,342**	2,439
Change in inventories		**520**	(3,026)
Change in trade receivables		**(5,558)**	(26,290)
Change in prepayments, deposits and other receivables		**(23,900)**	(6,098)
Change in trade and bills payables		**(4,925)**	13,918
Change in accruals, other payables and deposits received	33	**3,485**	(332)
Cash used in operations		**(18,036)**	(19,389)
Income taxes paid		**(2,377)**	–
Net cash flows used in operating activities		**(20,413)**	(19,389)
Cash flows from investing activities			
Interest received		**32**	24
Acquisition of a subsidiary		**–**	177
Purchase of property, plant and equipment	20	**(244)**	(4)
Net cash flows (used in)/generated from investing activities		**(212)**	197
Cash flows from financing activities			
Interest paid	11 & 33	**(178)**	–
Other borrowing raised	29	**5,723**	–
Fund from the Investor	28	**30,328**	25,451
Net cash flows generated from financing activities		**35,873**	25,451
Net increase in cash and cash equivalents		**15,248**	6,259
Effect of foreign exchange rate changes		**853**	739
Cash and cash equivalents at beginning of year		**13,485**	6,487
Cash and cash equivalents at end of year		**29,586**	13,485
Analysis of cash and cash equivalents			
Bank and cash balances	26	**29,586**	13,485

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is 62nd Floor, One Island East, 18 Westlands Road, Island East, Hong Kong. The Company's Shares are listed on the Main Board of the Stock Exchange and have been suspended for trading since 15 December 2008.

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in the processing and trading of food products mainly including frozen and functional food products. The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

2. BASIS OF PREPARATION

Appointment of the Provisional Liquidators

Trading in the Shares has been suspended since 9:30 a.m. on 15 December 2008 at the request of the Company.

After the suspension, the whereabouts of Mr. Yeung, a former executive Director and chairman, and Mr. Yang, a former executive Director, could not be confirmed. To maintain the stability and control of the Company, the new Board of the Directors was formed. Given that the Board had difficulties in exercising the authority and control of the Company over some of its subsidiaries, the Board was of the view that, for the benefit of the creditors and the Shareholders as a whole, it was appropriate and necessary to appoint provisional liquidators to preserve the Company's assets and investigate into the affairs and financial condition of the Group.

On 6 January 2009, a winding-up petition (the "Petition") and the application for the appointment of the Provisional Liquidators were presented to and filed with the Hong Kong Court by the Company. On the same day, Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai were appointed as the Provisional Liquidators by the Hong Kong Court. The Petition was filed with the Hong Kong Court on 7 January 2009 to effect the appointment. As such, the Provisional Liquidators do not have the same knowledge of the financial affairs of the Group as the Board would have, particularly in relation to the transactions entered into by the Group prior to their appointment date and the Board has been assisting the Provisional Liquidators to ascertain the Group's financial position since then.

2. BASIS OF PREPARATION (CONTINUED)

Restructuring of the Group

After their appointment, the Provisional Liquidators appointed Asian Capital as the financial advisor to the Company on 5 February 2009 to assist the Provisional Liquidators in identifying potential investors with a view to restructuring the Company and submitting a viable resumption proposal to the Stock Exchange.

On 12 March 2009, the Stock Exchange sent a letter to the Company stating that in view of the prolonged suspension of trading in the Shares, the delisting procedures set out in Practice Note 17 to the Listing Rules applied to the Company and the Company had been put into the first stage of the delisting procedures which commenced on the date of suspension. If the Company failed to submit a viable resumption proposal to address certain conditions on or before 11 September 2009, the Stock Exchange might consider proceeding to place the Company in the second stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules.

The Provisional Liquidators and Asian Capital used their best endeavours to look for potential investors with interest in the restructuring of the Company. Consequently, the restructuring proposal of Group Will Holdings Limited had been accepted by the Provisional Liquidators.

On 30 July 2009, an exclusivity agreement (the "Exclusivity Agreement") was entered into among the Investor, Mr. Huang, the Company and the Provisional Liquidators to grant the Investor a 12-month exclusivity period to prepare a viable resumption proposal to be submitted to the Stock Exchange with a view to resuming the trading in the Shares, and to negotiating in good faith for entering into a legally binding formal agreement for the implementation of the resumption proposal. Since the exclusivity period has expired on 29 July 2010, in view of the Investor's willingness and financial ability to pursue the restructuring, a supplemental agreement was entered into to grant an extension of the exclusivity period to the Investor to cover the remaining period before the deadline for submitting the resumption proposal.

Pursuant to the Exclusivity Agreement, the Investor shall negotiate with the Provisional Liquidators to enter into an arrangement of working capital facility of up to HK$10 million (or such higher sum the Investor may agree from time to time) for the settlement of the trading and operating expenses as are required to carry on and maintain a viable business of the sale of food products during the course of the proposed restructuring. Such working capital facility will be secured by a debenture with charge(s) over certain assets of the Group. With the sanction from the Hong Kong Court, on 12 April 2010, the Investor and Supreme Wit, a direct wholly-owned subsidiary of the Company which was set up after the appointment of the Provisional Liquidators for the purpose of the restructuring, entered into a working capital facility agreement pursuant to which the Investor had agreed to provide a facility of up to HK$50 million (or such higher sum as the Investor may agree from time to time) (the "Facility Agreement") to Supreme Wit, and the Facility Agreement had been secured by a debenture (the "Debenture") executed on 12 April 2010 by Supreme Wit in favour of the Investor. On 18 February 2011, a supplemental deed to the Facility Agreement and a supplemental deed to the Debenture were entered into, pursuant to which the Investor agreed to increase the said facility to the principal amount of up to HK$70 million.

2. BASIS OF PREPARATION (CONTINUED)

Restructuring of the Group (Continued)

Given the time constraints, the Company was unable to submit the resumption proposal by 11 September 2009 and the Company was placed into the second stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules on 18 September 2009.

On 6 October 2010, Asian Capital and the Provisional Liquidators submitted the Resumption Proposal. On 5 November 2010, the Listing Committee of the Stock Exchange (the "Listing Committee") rejected the Resumption Proposal. The Listing Committee considered that the Resumption Proposal had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 of the Listing Rules.

On 15 November 2010, Asian Capital filed an application for review (the "Review Application") on behalf of the Company to the Listing (Review) Committee of the Stock Exchange (the "Listing (Review) Committee"). On 15 March 2011, the hearing by the Listing (Review) Committee took place. On 18 March 2011, the Listing (Review) Committee decided to uphold the Listing Committee's decision.

On 28 March 2011, Asian Capital filed an application for review on behalf of the Company to the Listing Appeals Committee. A supplemental submission was submitted to the Listing Appeals Committee and the hearing by the Listing Appeals Committee was taken place on 27 September 2011.

On 30 September 2011, the Listing Appeals Committee decided to accept the Resumption Proposal set out in the Resumption Submission, subject to the Company's compliance with the Resumption Conditions to the satisfaction of the Listing Division as extracted and disclosed below:

1) the Company's operating profit for the year ending 2011 should not be less than HK$18 million;

2) obtaining approval from the Company's shareholders and the relevant courts (where applicable) for conditions 3 to 6;

3) completion of the arrangement for the Capital Restructuring, which comprises the capital reduction, capital cancellation, share consolidation and the increase in authorised share capital as set out in the Resumption Submission;

4) completion of the Open Offer on the basis of 7 Offer Shares for every one new share of the Company after the capital reorganization at HK$0.5622 each to be fully underwritten by the Investor as set out in the Resumption Submission;

5) obtaining the requisite creditors' approval for the debt restructuring/schemes of arrangement (with the relevant sanction from courts thereafter), under which a cash payment of HK$62 million out of the proceeds from the share subscription by the Investor will be paid to the Company's creditors and the Company will issue 14,823,936 new shares after the capital reorganization to the creditors of the Company or the scheme administrators for the benefit of the Company's creditors who agree to enter into the schemes of arrangement;

2. BASIS OF PREPARATION (CONTINUED)

Restructuring of the Group (Continued)

6) obtaining approval from the Executive of the SFC for both the whitewash waiver and the special deal as set out in the Resumption Submission;

7) production of a written confirmation to the Listing Division by an independent auditor confirming the following:

   a. completion of the Share Subscription; and

   b. the net proceeds from the Share Subscription by the Investor are held by a bank in Hong Kong in the name of the Company;

8) full payment of all and any outstanding listing fees by the Company;

9) cancellation of the debenture over the assets of Supreme Wit Limited, a direct wholly-owned subsidiary of the Company;

10) confirmation from the Provisional Liquidators, with supporting information, as to the working capital sufficiency of the Company up to and at least twelve months after the date of resumption;

11) if resumption of trading does not take place before 1 April 2012, the Company to have published its audited accounts for the year ending 31 December 2011; and

12) the Investor to place down its shares to restore public float (as necessary) within one month of resumption of trading.

Save for the conditions 11 and 12, all of the above Resumption Conditions must be complied with to the satisfaction of the Listing Division within six months from the date of the decision letter. The deadline may be extended by the Listing Division on good cause being shown by the Company. The Company, the Provisional Liquidators and the Investor are now taking appropriate steps to fulfil the Resumption Conditions.

On 5 January 2012, the Company, the Provisional Liquidators, the Investor and Mr. Huang as the Guarantor entered into an agreement to implement the proposed restructuring set out in the Resumption Submission.

The Scheme is proposed in the Resumption Submission. On 20 March 2012, both the Hong Kong Court and Bermuda Court granted orders to convene the creditors' meeting to approve the Scheme. The meeting of the Scheme will be convened on 26 April 2012.

2. BASIS OF PREPARATION (CONTINUED)

Restructuring of the Group (Continued)

As it is expected that the Company will not able to fully satisfy the Resumption Conditions within the deadline imposed by the Listing Appeals Committee, on 28 March 2012, the Company made an application to the Listing Division to seek additional time for the Company to fully satisfy the Resumption Conditions.

The Provisional Liquidators have provided regular updates on the status of the Group to the Hong Kong Court and suggested for the adjournment of granting the winding-up order against the Company. On 13 January 2012, the hearing of the Petition has been further adjourned to 16 July 2012.

Restoration of the Group's business

While taking steps and actions to fulfill the Resumption Conditions, the Company has been trying to resume its trading and processing of food products business. As mentioned in the section headed "Restructuring of the Group", with the working capital facility provided by the Investor, the Group has restored its trading business operations in the second half of 2009 by establishing the special purpose vehicles to carry out the trading and processing business.

In October 2010, the Group completed the acquisition of the entire issued share capital of Orient Legend for an aggregate cash consideration of HK$10,000,000, pursuant to which the trading of food products were strengthened further. In October 2010, the Group entered into the Sincere Gold Agreement. According to the terms of the Sincere Gold Agreement, the Jiangmen processing plant will provide the processing of food products service for the Group. Leveraging on the large customers base and trading volume of Orient Legend, the Sincere Gold Agreement further strengthens the processing of food products business of the Group.

In addition, to further expand the Group's business, the Group had already begun the distribution of frozen foods products in Beijing area, as a first step, in the second half of 2011 as we recognised a strong demand for frozen food products in the PRC.

As announced on 10 June 2011, the Group intends to proceed with the Acquisition of Sprintech.

As the conditions set out in the Agreement have not been satisfied on or before the date falling on the sixth calendar month from the date of the Agreement, the Agreement has been terminated pursuant to the terms of the Agreement. Such termination has no material adverse effect on the Group's business operations and its financial position.

2. BASIS OF PREPARATION (CONTINUED)

Going concern

As at 31 December 2011, the Group had net current liabilities of approximately RMB387,880,000 (2010: approximately RMB379,655,000) and net liabilities of approximately RMB358,459,000 (2010: approximately RMB374,211,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments will have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted for the first time the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective for its accounting year beginning on 1 January 2011:

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
HK(IFRIC)-Int 14 Amendment	Amendment to HK(IFRIC)-Int14 Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Government loans[4]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 Amendments	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[3]
HKAS 12 Amendments	Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 Amendments	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]
Amendments to HKFRS 9 and HKFRS 7	Amendments to HKFRS 9 Financial Instruments and HKFRS 7 Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the Directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency. The functional currency of the Company is Hong Kong Dollars. The Directors consider that choosing Renminbi as the presentation currency best suits the needs of the shareholders and investors.

b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

c) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvement	5 years
Furniture and equipment	5 years
Computer hardware and software	3 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight–line basis over the terms of the guarantee contracts.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Food processing income is recognised when the food processing services are rendered.

Commission fee income is recognised when the handling services are rendered.

Storage fee income is recognised based on the time period of which the merchandise is stored in the Group's leased warehouses.

Interest income is recognised on a time–proportion basis using the effective interest method.

Employee benefits

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(B) An entity is related to the Group (reporting entity) if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets except goodwill, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non–occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES (CONTINUED)

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group being able to achieve a successful restructuring and continue its business. Details are explained in note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

d) Write-down for inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

6. FINANCIAL RISK MANAGEMENT

The Group has exposure to credit risk, liquidity risk and market risk (including currency risk and interest rate risk) from its use of financial instruments. This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the Group's credit risk is primarily attributable to the trade receivables, deposit for the Sincere Gold Agreement and deposits with financial institutions. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade receivables

The Group has established a credit policy under which credit evaluations are performed on all customers requiring credit. Trade receivables are due within 3 months from the date of billing. Debtors with balances that are more than 3 months are requested to settle all outstanding balance before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At 31 December 2011, the Group has a certain concentration of credit risk of approximately RMB9,910,000 (2010: approximately RMB10,853,000) and approximately RMB17,658,000 (2010: approximately RMB18,008,000) out of the total trade receivables of approximately RMB39,072,000 (2010: approximately RMB33,514,000) as at 31 December 2011, which was arising from the Group's largest debtor and the two largest debtors respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position after deducting any impairment allowance. Except for a financial guarantee given by the Company as set out in note 30, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of this financial guarantee at the Company's statement of financial position is disclosed in note 40.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 25.

(ii) Deposit for the Sincere Gold Agreement

Regarding the Sincere Gold Agreement as disclosed in notes 2 and 21 to these consolidated financial statements, the Group places a refundable security deposit of approximately RMB16,353,000 (equivalent to HK$20,000,000) as at 31 December 2011. The Group has been closely working with the recipients under the Sincere Gold Agreement and through which the Group monitors cautiously the financial situation of the recipients to assess the recoverability of the security deposit.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

(iii) Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating assigned by international credit-rating agencies or other criteria. Given these high credit ratings, the Group does not expect any counterparty to fail to meet its obligations.

As at 31 December 2011, the Group has no concentration of credit risk (2010: nil) of total cash and cash equivalents.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. All financial liabilities of the Group are maturity within one year.

Currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions and assets are principally denominated in the Canadian Dollar. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2011, if the Renminbi had weakened/strengthened 5% per cent against the Canadian Dollar with all other variables held constant, the consolidated profit after tax for the year would have been approximately RMB70,000 (2010: RMB nil) higher/lower, arising mainly as a result of the foreign exchange gain/loss on trade receivables denominated in Canadian Dollar.

There was no trade receivable principally denominated in the Canadian Dollar as at 31 December 2010.

Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank deposits and bank and other borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk.

At 31 December 2011, if interest rates on the bank and other borrowings at that date had been 1% lower/higher with all other variables held constant, the consolidated profit after tax for the year would have been approximately RMB1,763,000 higher/lower, arising mainly as a result of lower/higher interest expense on bank and other borrowings.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (Continued)

At 31 December 2010, if interest rates on the bank and other borrowings at that date had been 1% lower/higher with all other variables held constant, the consolidated loss after tax for the year would have been approximately RMB1,772,000 lower/higher, arising mainly as a result of lower/higher interest expense on bank and other borrowings.

Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. TURNOVER

Turnover represents the invoiced value of goods sold, less value-added tax, goods returns and trade discounts during the year.

	2011 **RMB'000**	2010 RMB'000
Sales of goods	**730,660**	144,006

8. OTHER INCOME

	2011 **RMB'000**	2010 RMB'000
Food processing income	**5,500**	–
Commission income	**1,329**	619
Storage fee income	**1,129**	569
Interest income	**32**	24
Sundry income	**22**	–
	8,012	1,212

9. SEGMENT INFORMATION

The Group has one reportable operating segment named "Frozen and functional food products" which refers to the processing and trading of food products mainly including frozen and functional food products.

The accounting policies of the operating segment are the same as those described in note 4 to the consolidated financial statements. Segment profit or loss do not include restructuring costs and finance costs arising from bank borrowings. Segment assets do not include amounts due from related parties and investments. Segment liabilities do not include bank borrowings and financial guarantee liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Information about reportable segment profit or loss, assets and liabilities is as follows:

	Frozen and functional food products	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Years ended 31 December		
Revenue from external customers	**730,660**	144,006
Segment profit	**16,413**	7,595
Interest income	**7**	2
Finance costs arising from other borrowing and bank overdraft	**178**	–
Depreciation	**63**	–
Income tax expense	**2,674**	1,119
Additions to segment non-current assets	**244**	4
As at 31 December		
Segment assets	**95,730**	48,498
Segment liabilities	**81,280**	39,784

Reconciliations of reportable segment profit or loss, assets and liabilities:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Profit or loss		
Total profit or loss of reportable segment	**16,413**	7,595
Unallocated amounts:		
Unallocated corporate income and expenses	**(1,175)**	(1,415)
Restructuring costs	**(3,113)**	(3,725)
Finance costs arising from bank borrowings	**(7,178)**	(5,613)
Consolidated profit/(loss) before tax	**4,947**	(3,158)

9. SEGMENT INFORMATION (CONTINUED)

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Assets		
Total assets of reportable segment	**95,730**	48,498
Unallocated amounts:		
Deferred tax assets	**216**	224
Goodwill	**4,986**	5,180
Unallocated corporate assets	**7,034**	9,066
Consolidated total assets	**107,966**	62,968
Liabilities		
Total liabilities of reportable segment	**81,280**	39,784
Unallocated amounts:		
Bank borrowings	**170,555**	177,192
Financial guarantee liabilities	**13,500**	13,500
Unallocated corporate liabilities	**201,090**	206,703
Consolidated total liabilities	**466,425**	437,179

Geographical information:

	Revenue Year ended 31 December		Non-current assets As at 31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Canada	**31,767**	24,905	**–**	–
Mainland China	**642,965**	96,169	**–**	–
Hong Kong	**45,480**	18,400	**29,214**	5,220
Others	**10,448**	4,532	**–**	–
Consolidated total	**730,660**	144,006	**29,214**	5,220

In presenting the geographical information, revenue is based on the locations of the customers.

9. SEGMENT INFORMATION (CONTINUED)

Revenue from major customers:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Customer A	**235,365**	29,233
Customer B	**121,351**	19,658
Customer C	**87,567**	17,955
Customer D	**42,458**	10,597
Customer E	**36,797**	9,828

10. RESTRUCTURING COSTS

Restructuring costs mainly included the legal fees, fee to the financial advisor and the Provisional Liquidators and other professional fees for implementing the proposed restructuring. Such expenses are financed by the Investor and non-recurring in nature.

11. FINANCE COSTS

	2011	2010
	RMB'000	RMB'000
Interest expenses on:		
Bank borrowings wholly repayable within 1 year or on demand	**7,178**	5,613
Other borrowing wholly repayable within 1 year	**174**	–
Bank overdraft interest	**4**	–
	7,356	5,613

12. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is stated after charging/(crediting) the following:

	2011 **RMB'000**	2010 RMB'000
Directors' emoluments		
As directors	**228**	293
For management	**–**	–
	228	293
Auditor's remuneration	**298**	280
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**3,068**	705
Retirement benefits scheme contributions	**102**	26
Less: forfeited contribution	**–**	(128)
	3,170	603
Acquisition-related costs (included in restructuring costs)	**43**	673
Cost of inventories sold	**704,637**	136,281
Depreciation	**71**	8
Net exchange losses	**254**	449
Other operating lease charges on the Sincere Gold Agreement (note 21(a))	**2,176**	–
Operating lease charges on land and buildings	**691**	402

13. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**2,663**	1,119
Under-provision in prior years	**2**	–
	2,665	1,119
Deferred tax (note 23)	**9**	–
	2,674	1,119

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the profit/(loss) before tax is as follows:

	2011 RMB'000	2010 RMB'000
Profit/(loss) before tax	**4,947**	(3,158)
Notional tax credit on loss before tax, calculated at the rates applicable in the tax jurisdictions concerned	**–**	(790)
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**816**	–
Tax effect of income not taxable and expenses not deductible	**8**	1,909
Tax effect of tax losses not recognised	**1,848**	–
Under-provision in prior years	**2**	–
	2,674	1,119

14. DIRECTORS' EMOLUMENTS

The emoluments of each Director were as follows:

	Fees RMB'000	Basic salaries, allowances and benefits in-kind RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Name of executive Director					
Lee Wa Lun, Warren	–	–	–	–	–
	–	–	–	–	–
Name of independent non-executive Directors					
Leung King Yue, Alex	**50**	–	–	–	**50**
Tang Chi Chung, Matthew	**50**	–	–	–	**50**
Lo Wai On (note (a))	**4**	–	–	–	**4**
Wong Chi Keung	**124**	–	–	–	**124**
	228	–	–	–	**228**
Total for 2011	**228**	–	–	–	**228**

	Fees RMB'000	Basic salaries, allowances and benefits in-kind RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Name of executive Director					
Lee Wa Lun, Warren	–	–	–	–	–
	–	–	–	–	–
Name of independent non-executive Directors					
Leung King Yue, Alex	53	–	–	–	53
Tang Chi Chung, Matthew	53	–	–	–	53
Lo Wai On (note (a))	53	–	–	–	53
Wong Chi Keung	134	–	–	–	134
	293	–	–	–	293
Total for 2010	293	–	–	–	293

Note:

(a) Resigned with effect from 31 January 2011

15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals in the Group during the year included nil (2010: 1) Directors, details of whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 5 (2010: 4) individual are set out below:

	2011 **RMB'000**	2010 RMB'000
Basic salaries and allowances	**2,090**	261
Retirement benefit scheme contributions	**90**	21
	2,180	282

The emoluments of the 5 individuals (2010: 4) fall within the following band:

	Number of individuals	
	2011	2010
HK$ Nil – HK$1,000,000 (approximately equivalent to RMB829,080) (2010: approximately RMB887,845)	**5**	4

During the years ended 31 December 2011 and 2010, no emoluments were paid or payable to the five highest paid individuals (including Directors and other employees) as an inducement to join the Group or as a compensation for loss of office.

16. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) for the year attributable to owners of the Company includes a loss of approximately RMB10,880,000 (2010: loss of approximately RMB9,793,000) which has been dealt with in the financial statements of the Company.

17. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

18. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings/(loss) per share

The calculation of basic earnings (2010: loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB2,273,000 (2010: loss attributable to owners of the Company of approximately RMB4,277,000) and the weighted average number of approximately 1,185,915,000 ordinary shares (2010: approximately 1,185,915,000 ordinary shares) in issue during the year.

Diluted earnings/(loss) per share

Diluted earnings (2010: loss) per share attributable to owners of the Company for both years are the same as the respective basic earnings/(loss) per share as the Company did not have any dilutive potential ordinary shares during both years.

19. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 (equivalent to approximately RMB16,582), contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the consolidated statement of comprehensive income.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2011 in respect of the retirement benefits of its employees.

20. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Furniture and equipment RMB'000	Computer hardware and software RMB'000	Total RMB'000
Cost				
At 1 January 2010	–	718	–	718
Additions	–	4	–	4
Acquisition of a subsidiary	–	18	–	18
Exchange differences	–	(24)	–	(24)
At 31 December 2010 and 1 January 2011	–	716	–	716
Additions	107	71	66	244
Exchange differences	(1)	(28)	–	(29)
At 31 December 2011	106	759	66	931
Accumulated depreciation				
At 1 January 2010	–	692	–	692
Charge for the year	–	8	–	8
Exchange differences	–	(24)	–	(24)
At 31 December 2010 and 1 January 2011	–	676	–	676
Charge for the year	18	33	20	71
Exchange differences	–	(26)	–	(26)
At 31 December 2011	18	683	20	721
Carrying amount				
At 31 December 2011	88	76	46	210
At 31 December 2010	–	40	–	40

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011	2010
	RMB'000	RMB'000
Non-current assets		
Prepayment and deposit for the Sincere Gold Agreement (note (a))	**24,018**	–
Current assets		
Prepayment and deposit for the Sincere Gold Agreement (note (a))	**2,453**	2,973
Deposit for the Agreement (note (b))	**409**	–
Advances to suppliers	**3,071**	3,270
Rental and other deposits	**530**	338
	6,463	6,581

(a) On 5 October 2010, Pacific Prosper an indirect wholly-owned subsidiary of the Company, entered into the Sincere Gold Agreement pursuant to which the total rental for a five-year period and security deposit are HK$15,000,000 and HK$20,000,000 respectively. In November 2010, HK$3,500,000 was paid and the balance of HK$31,500,000 was paid in February 2011.

The operating lease commenced since mid-February 2011 and HK$2,625,000 (approximately RMB2,176,000) was charged to profit or loss of the Group for the year ended 31 December 2011. As a result, the Group had remaining balances of rental prepayment and security deposit of HK$12,375,000 (approximately RMB10,118,000) and HK$20,000,000 (approximately RMB16,353,000) as at 31 December 2011, in which HK$3,000,000 (approximately RMB2,453,000) of the rental prepayment was classified as a current asset and the remaining rental prepayment of HK$9,375,000 (approximately RMB7,665,000) and the security deposit of HK$20,000,000 (approximately RMB16,353,000) are classified as non-current assets at the end of the reporting period.

(b) On 10 June 2011, Pacific Prosper and Mr. Chu Yin Tat and Ms. Tam Wai Chun (the "Vendors") entered into the Agreement pursuant to which Pacific Prosper conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued share capital of the New Profit Global Limited at the consideration of HK$4,500,000 in cash. In June 2011, HK$500,000 (equivalent to approximately RMB409,000) was paid. On 4 January 2012, the Group announced that the Agreement lapsed pursuant to its terms. Accordingly, the deposit for the Agreement was refunded.

22. GOODWILL

	RMB'000
Cost	
Arising from the acquisition of a subsidiary	**5,180**
At 31 December 2010	**5,180**
Exchange differences	**(194)**
At 31 December 2011	**4,986**
Accumulated impairment losses	
Recognised for the years ended 31 December 2010 and 2011 and balance as at 31 December 2011	**–**
Carrying amount	
At 31 December 2011	**4,986**
At 31 December 2010	**5,180**

During the year ended 31 December 2010, the Group acquired the entire issued share capital of Orient Legend for an aggregate cash consideration of HK$10,000,000. Details of which had been disclosed in the 2010 annual report of the Company.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill of approximately RMB4,986,000 (2010: approximately RMB5,180,000) had been allocated to sales of food products contributed by Orient Legend.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's sales of food products is 12%.

23. DEFERRED TAX ASSETS

The components of deferred tax assets and liabilities recognized in the consolidated statement of financial position and the movements during the current year are as follows:

	Impairment loss of bad and doubtful debts RMB'000	Other temporary differences RMB'000	Total RMB'000
Deferred tax assets			
At 1 January 2010	**60**	**173**	**233**
Exchange differences	**(2)**	**(7)**	**(9)**
At 31 December 2010	**58**	**166**	**224**
Exchange differences	**(2)**	**(6)**	**(8)**
At 31 December 2011	**56**	**160**	**216**

	Other temporary differences RMB'000
Deferred tax liabilities	
Charged to profit or loss for the year ended 31 December 2011	**9**
At 31 December 2011	**9**

The following is the analysis of the deferred tax balances (after offset) for the consolidated statement of financial position purposes:

	2011 RMB'000	2010 RMB'000
Deferred tax assets	**216**	224
Deferred tax liabilities	**(9)**	–
	207	224

24. INVENTORIES

	2011 RMB'000	2010 RMB'000
Merchandise	**3,424**	3,944

25. TRADE RECEIVABLES

The Group's trading terms with customers mainly comprise credit and cash on delivery. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

The aging analysis of trade receivables as at the end of the reporting period, based on the invoice/contract date, and net of allowance, is as follows:

	2011 **RMB'000**	2010 RMB'000
Within 1 month	**4,574**	12,692
More than 1 month but within 3 months	**22,338**	17,351
More than 3 months but within 6 months	**9,858**	2,130
More than 6 months but within 1 year	**2,159**	1,341
More than 1 year	**143**	–
	39,072	33,514

The aging analysis of trade receivables as at the end of the reporting period that are neither individually nor collectively considered to be impaired are as follows:

	2011 **RMB'000**	2010 RMB'000
Neither past due nor impaired	**26,912**	30,043
More than 3 months but within 6 months	**9,858**	2,130
More than 6 months but within 1 year	**2,159**	1,341
More than 1 year	**143**	–
	39,072	33,514

Receivables that were neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2011 **RMB'000**	2010 RMB'000
Hong Kong dollars	**3,535**	14,738
US dollars	**34,139**	18,776
Canada dollars	**1,398**	–
	39,072	33,514

26. BANK AND CASH BALANCES

	2011 RMB'000	2010 RMB'000
Cash at bank and in hand	**29,586**	13,485

As at 31 December 2011, the bank and cash balances of the Group were denominated in the following currencies:

	2011 RMB'000	2010 RMB'000
RMB	**4,017**	185
Hong Kong dollars	**13,339**	10,943
US dollars	**7,047**	846
Euro dollars	**5,183**	1,511
	29,586	13,485

27. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables as at the end of the reporting period, based on the invoice/contract date, is as follows:

	2011 RMB'000	2010 RMB'000
Within 1 month	**4,139**	11,523
More than 1 month but within 3 months	**8,916**	6,173
More than 3 months but within 6 months	**6**	974
More than 6 months but within 1 year	**665**	–
More than 1 year	**19**	–
	13,745	18,670

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2011 RMB'000	2010 RMB'000
Hong Kong dollars	**1,992**	5,727
US dollars	**11,502**	12,943
Euro dollars	**251**	–
	13,745	18,670

28. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2011 **RMB'000**	2010 RMB'000
Finance costs payable	**22,880**	16,416
Accruals and other payables	**9,971**	7,048
Deposit received	**1,951**	1,623
Claim arising from a derivative financial instrument (note (a))	**101,648**	105,604
Amount due to a former director of the Company (note (b))	**55,803**	57,975
Amount due to a director of the subsidiaries (note (b))	**4,521**	3,573
Amount due to the Investor (note (c))	**64,591**	34,263
	261,365	226,502

Notes:

(a) Included in the accruals, other payables and deposits received of the Group is a claim arising from a derivative financial instrument with a carrying amount of US$15,979,544 (equivalent to approximately RMB101,648,000) (31 December 2010: US$15,979,544 (equivalent to approximately RMB105,604,000)). The claim is arising from a notice of early termination of a US$ interest rate swap agreement dated 3 November 2008 served by a commercial bank. The Provisional Liquidators had engaged a Hong Kong legal advisor to assist in reviewing the claim lodged by that commercial bank.

(b) The amounts due to a former director of the Company and a director of the subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

(c) The amount due to the Investor is non-interest bearing.

The outstanding balance included an amount of approximately RMB13.3 million advancement (the "Advancement") and an amount of HK$5 million (approximately RMB4.1 million) earnest money (the "Earnest Money") paid by the Investor pursuant to the Exclusivity Agreement. The Advancement is used for payment of the restructuring fees and other professional fees during the restructuring process. If the completion of the restructuring fails to take place solely as a consequence of (i) the Investor failing to perform its obligations in material aspects; or (ii) the Investor breaching any of its obligations under the Exclusivity Agreement or any restructuring agreement in material aspects, the Earnest Money shall be forfeited and released to the Provisional Liquidators for the benefit of the Company's creditors. If the Exclusivity Agreement is terminated or if the completion of the restructuring fails to take place because of any reason(s) other than the failure or the breach by the Investor as aforesaid stated, the Earnest Money shall be refunded to the Investor. Upon the completion of the restructuring, the Earnest Money and the Advancement shall form part of the subscription proceeds payable by the Investor. Both the Earnest Money and the Advancement are unsecured.

The remaining outstanding balance of approximately RMB47.1 million is the loan (the "Loan") paid by the Investor pursuant to the working capital facility and for the use of the operation of Supreme Wit and its operating subsidiaries. The Loan is secured by the floating charge on all the assets of Supreme Wit, a direct wholly-owned subsidiary of the Company, and has no fixed terms of repayment.

(d) All amounts of the accruals, other payables and deposits received as stated above were recognised based on the books and records of the Group made available to the Directors and the Provisional Liquidators.

29. BANK AND OTHER BORROWINGS

The bank and other borrowings were unsecured and repayable as follows:

	2011 **RMB'000**	2010 RMB'000
Within 1 year or on demand		
Bank borrowings	**170,555**	177,192
Other borrowing	**5,723**	–
	176,278	177,192

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	US$ RMB'000	HK$ RMB'000	Total RMB'000
2011	31,888	144,390	176,278
2010	33,044	144,148	177,192

At 31 December 2011, the terms of bank borrowings were as follows:

(a) Bank borrowings of approximately HK$18,699,000 (2010: HK$18,699,000) carried interest at 2.75% (2010: 2.75%) over HIBOR per annum and are repayable within one year.

(b) Bank borrowings of approximately HK$16,667,000 (2010: HK$16,667,000) carried interest at 1.75% (2010: 1.75%) over HIBOR per annum and are repayable within one year.

(c) Bank borrowings of approximately HK$14,000,000 (2010: HK$14,000,000) carried interest at 2.5% (2010: 2.5%) over HIBOR per annum and are repayable within one year.

(d) Bank borrowings of US$5,000,000 (2010: US$5,000,000) carried interest at 1.75% (2010: 1.75%) over LIBOR per annum and are repayable within one year.

(e) Bank borrowings of approximately HK$3,553,000 (2010: HK$3,553,000) carried interest at 2% (2010: 2%) over HIBOR per annum and are repayable within one year.

(f) Bank borrowings of HK$30,000,000 (2010: HK$30,000,000) carried interest at 3.5% (2010: 3.5%) over HIBOR per annum and repayable within one year.

(g) Bank borrowings of approximately HK$86,777,000 (2010: HK$86,777,000) carried interest at 1.25% (2010: 1.25%) over HIBOR per annum and are repayable within one year.

At 31 December 2011, the terms of other borrowing of HK$7,000,000 (2010: HK$nil) carried a interest at 6% (2010: nil) per annum and is repayable within one year from the date of drawdown.

30. FINANCIAL GUARANTEE LIABILITIES

In 2008, a bank borrowing of RMB13,500,000 maintained by Fuqing Longyu Food Development Company Limited was deconsolidated from the consolidated financial statements of the Company since 1 July 2008. However, since the Company provides corporate guarantee for the bank borrowing, the Company is therefore liable to the financial guarantee liabilities of RMB13,500,000 as at 31 December 2011 (2010: RMB13,500,000).

31. SHARE CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the Shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

	2010 and 2011	
	Number of shares '000	**Amount RMB'000**
Authorized:		
Ordinary shares of HK$0.05 each	**2,000,000**	**106,000**
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 1 January and 31 December	**1,185,915**	**61,387**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

32. RESERVES

a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

32. RESERVES (CONTINUED)

b) Company

	Share premium RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	300,028	(37,817)	(707,286)	(445,075)
Total comprehensive income for the year	–	13,770	(9,793)	3,977
At 31 December 2010	300,028	(24,047)	(717,079)	(441,098)
At 1 January 2011	**300,028**	**(24,047)**	**(717,079)**	**(441,098)**
Total comprehensive income for the year	**–**	**13,860**	**(10,880)**	**2,980**
At 31 December 2011	**300,028**	**(10,187)**	**(727,959)**	**(438,118)**

c) Nature and purpose of reserves of the Group

(i) Share premium

In accordance with Section 40 of the Bermuda Companies Act 1981, the share premium account of the Company is distributable to the shareholders of the Company in the form of fully paid bonus shares.

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of the share/registered capital of the subsidiaries acquired, pursuant to the reorganisation scheme which rationalising the structure of the Group for the listing of the Company's shares on the Stock Exchange over the nominal value of the share capital of the Company issued in exchange therefore.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

33. MAJOR NON-CASH TRANSACTION

During the year, change in the amount of accruals, other payables and deposits received as shown in the operating activities of the consolidated statement of cash flows included an amount of approximately RMB7,178,000 (2010: approximately RMB5,613,000) relating to the finance costs arising from bank borrowings.

34. COMMITMENTS

	2011 RMB'000	2010 RMB'000
Capital commitments		
The consideration in relation to the Agreement (note 21(b))	**3,270**	–

Operating lease commitments

At the end of the reporting period, the Group had the total future minimum lease payments under noncancellable operating leases in respect of land and buildings as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year	**711**	536
After 1 year but within 5 years	**294**	542
	1,005	1,078

The leases typically run for an initial period of one to two years. None of the leases includes contingent rentals.

	2011 RMB'000	2010 RMB'000
Other commitments		
Prepayment and deposit for the Sincere Gold Agreement (note 21(a))	**–**	26,758

35. CONTINGENT LIABILITIES

A full search of the contingent liabilities of the Group has not been conducted. Any lawsuits or winding-up petitions against the Company will be subject to the Hong Kong Court's approval and the relevant claims will be subject to a formal adjudication process, dealt with and compromised under the restructuring scheme upon the completion of the restructuring with the Investor.

The Provisional Liquidators are not aware of any potential claim against the subsidiaries as at 31 December 2011 and 31 December 2010.

36. PLEDGE OF ASSETS

As at 31 December 2011, all the assets of Supreme Wit, a direct wholly-owned subsidiary of the Company, were pledged to the Investor by way of floating charge to secure the working capital facility granted by the Investor to the Group.

37. RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 14 to the consolidated financial statements and all of the highest paid employees as disclosed in note 15 to the consolidated financial statements, is as follows:

	2011	2010
	RMB'000	RMB'000
Short-term employee benefits	**2,318**	554
Post-employment benefits	**90**	21
	2,408	575

38. EVENTS AFTER THE REPORTING PERIOD

On 5 January 2012, the Company, the Provisional Liquidators, the Investor and Mr. Huang as the Guarantor entered into an agreement in relation to, among others, the Capital Restructuring, the Open Offer, the Share Subscription, the Scheme and a group reorganisation (the "Restructuring Agreement"). For details of the Restructuring Agreement, please refer to the announcement published on 26 March 2012.

Applications have been submitted to Hong Kong Court and Bermuda Court for leave to convene the Scheme meeting. On 20 March 2012, both the Hong Kong Court and Bermuda Court granted orders to convene the creditors' meeting to approve the Scheme. The meeting of the Scheme will be convened on 26 April 2012.

The Provisional Liquidators have provided regular updates on the status of the Group to the Hong Kong Court and suggested for the adjournment of granting the winding-up order against the Company. On 13 January 2012, the hearing of the Petition has been further adjourned to 16 July 2012.

39. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation/ registration	Issued and paid-up capital/ registration capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			2011	2010	
First China Technology Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	**100%**	100%	Investment holding
Smart Dragon International Trading Limited	Hong Kong	100 ordinary share of HK$1 each	**100%**	100%	Investment holding
First China Technology (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Inactive
Supreme Wit Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	Investment holding
Trendy Leader Limited	Hong Kong	1 ordinary share of HK$1 each	**100%***	100% *	Trading and processing of food products
Highest Rich Limited	Hong Kong	1 ordinary share of HK$1 each	**100%***	100% *	Inactive
Pacific Prosper Limited	Hong Kong	1 ordinary share of HK$1 each	**100%***	100% *	Investment holding
Orient Legend International Limited	Hong Kong	10 ordinary share of HK$1 each	**100%***	100% *	Trading of food products

* These subsidiaries were indirectly held by the Company.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment		**9**	17
Investment in subsidiaries		**–**	–
		9	17
Current assets			
Prepayments, deposits and other receivables		**197**	27
Amount due from a subsidiary *		**1,380**	875
Bank and cash balances		**6,786**	6,775
		8,363	7,677
Current liabilities			
Accruals, other payables and deposits received		**201,048**	196,713
Bank and other borrowings		**170,555**	177,192
Financial guarantee liabilities	30	**13,500**	13,500
		385,103	387,405
Net current liabilities		**(376,740)**	(379,728)
NET LIABILITIES		**(376,731)**	(379,711)
Capital and reserves			
Share capital	31	**61,387**	61,387
Reserves	32	**(438,118)**	(441,098)
TOTAL EQUITY		**(376,731)**	(379,711)

* The amount due from a subsidiary was unsecured, interest-free and had no fixed terms of repayment.

41. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of certain expenses previously classified under administrative expenses to restructuring costs. The new classification of the accounting items was considered to provide a more appropriate presentation of the financial results of the Group.

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2012.

Five Year Financial Summary

The following table summarises the results, and the assets and liabilities of the Group for each of five years ended 31 December:

RESULTS

	For the year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Turnover	739,484	478,707	2,542	144,006	**730,660**
Profit/(loss) before tax	203,954	(1,394,341)	(14,161)	(3,158)	**4,947**
Income tax expense	(72,919)	(47,444)	–	(1,119)	**(2,674)**
Profit/(loss) for the year attributable to owners of the Company	131,035	(1,441,785)	(14,161)	(4,277)	**2,273**

ASSETS AND LIABILITIES

	As at 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Total assets	1,543,080	1,405	9,208	62,968	**107,966**
Total liabilities	(459,515)	(370,589)	(392,671)	(437,179)	**(466,425)**
Net assets/(liabilities)	1,083,565	(369,184)	(383,463)	(374,211)	**(358,459)**